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54-2-771

3 October 1984

NOTE FOR: Director of Personnel

VIA: Acting DDA

FROM: Executive Director

Bob,

In the spirit of our conversation at the ExCom yesterday on retirement systems, what would you think of a proposal designed to:

- include all CIA employees, of whatever background or organizational affiliation,
- be totally administered by us for security reasons,
- supplement Social Security with a basic benefit of some type,
- reward dangerous (overseas as in CIARDS) service in proportion to how much of it is actually done,
- shift greater responsibility for the size of the future benefit to the employee,
- call for a USG "percent of payroll" contribution at no lower level than that of the FBI and the Department of State.

The proposal would go like this:

(a) There would be a basic benefit for any employee who completed 25 years of service. The benefit would be expressed as a percentage of the high 5 average, with a survivor benefit as today. This program would supplement Social Security.

(b) A higher benefit, without a commensurately higher cost to the employee, would be paid to those people who had performed difficult or dangerous service in proportion to how much of it had been performed. For example, an employee who spent 75 percent of his career overseas or in qualifying service might raise his basic benefit by 45 percent. An employee who spent 50 percent of his career overseas might raise his benefit by 30 percent. An employee who spent 25 percent of his career overseas might

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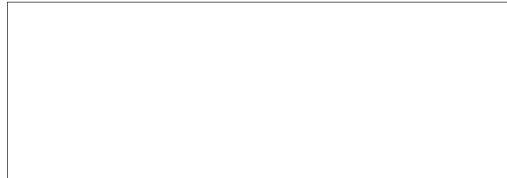
raise his benefit by 15 percent. A board similar to that which admits people to CIARDS would make judgments about qualifying service, and benefits would be computed based on that judgment.

(c) There would be higher payments for those who voluntarily themselves contributed more to the retirement program. As an individual, I would have the option of raising my contribution to the retirement program by 10 percent and getting an X percent increase in my future annuity. Possibly I could as much as double my annual contribution and receive a future annuity augmented by as much as 50 percent. (Obviously, all these numbers I'm mentioning here are only representative of the principles involved. Some heavy actuarial work would be required to sort out the benefits which would go with contributions and so forth.)

(d) Finally, the system should provide very little benefit to any employee to stay beyond 25 years. If we wanted people to spend 26 or 27 or 30 years with us we would have to reward them by giving them great jobs or bonuses. We would not rely on the retirement system to try to hold them. Indeed, the whole system would be structured to move people, and to retain a young and vital work force.

Such a system could:

- provide a Social Security supplemental benefit to all,
- clearly reward overseas services,
- clearly reward individual thrift,
- be most attractive to the most self-confident and highly motivated potential future employees,
- leave the extra benefits of overseas service substantially intact while providing motivation to spend more time overseas and treating all employees who do serve overseas equitably.

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